ECONOMIC COMMENTARY

Alberta's Municipalities Are Recovering From The Recession

August 21, 2017

Highlights:
The 2015/2016 recession resulted in rapidly rising unemployment and a surge in the number of Employment Insurance beneficiaries in Alberta. Last year's wildfires also led to a sharp increase in EI beneficiaries in the Wood Buffalo area. The Alberta economy is bouncing back from the recession and most economic forecasting agencies are expecting it to lead the nation in economic growth this year. In this commentary we will examine trends in EI numbers to see how well Alberta's municipalities are bouncing back from the recession.

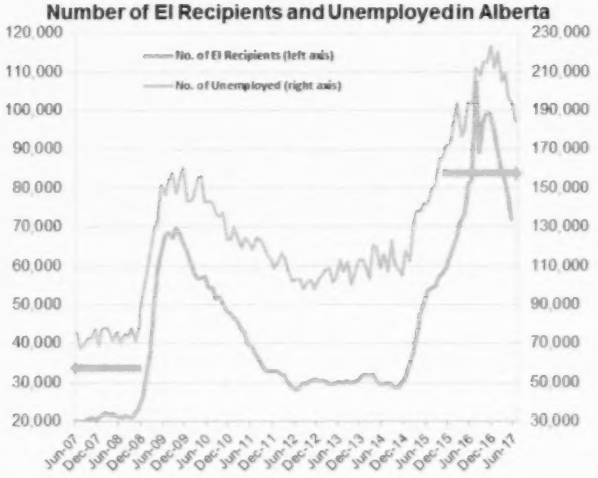
Alberta
Government

Overview

Alberta was in recession in 2015 and 2016 but is now emerging from this recession according to the latest economic indicators[1]. According to Statistics Canada's latest provincial GDP estimates the Alberta economy contracted by 3.6% in 2015 and by a further 3.8% in 2016. All private sector forecasters expect Alberta's GDP to increase this year and most forecasters are now expecting Alberta to lead the nation in economic growth in 2017.

The recession caused Alberta's unemployment rate to rise from 4.4% in November 2014 to 9.0% in November 2016, the highest unemployment rate in Alberta since 1994, as companies in the manufacturing, construction, engineering and architectural services and especially the oil and gas services sectors were cutting back. The unemployment rate has been falling since then and stood at 7.8% in July of this year. Between November 2014 and November 2016, the number of payroll jobs in the oil and gas services sector fell by 40%, from 75,176 in November 2014 to 44,732 in November 2016[2], while employment fell by between 19% in the manufacturing sector, by 17% in construction, and by 29% in the engineering and architectural services sector.

Chart 1
Number of EI Recipients and Unemployed in Alberta



Source: Statistics Canada

Payroll employment has increased by about 20,000 jobs since last November to reach 1,971,000 jobs in May. The oil and sector (includes oil and gas extraction and services) has risen by nearly 6,300 jobs over that period, followed by manufacturing with a 3,800 gain, and construction with a 3,100 gain. However, the retail trade sector which lost few jobs between November 2014 and November 2016 has lost 4,100 since November.

Unfortunately, there is a scarcity of sub-provincial indicators that show how Alberta's municipalities are doing during this recession. The only indicator that is both fairly timely and available for municipalities is the number of Employment Insurance (EI) recipients receiving regular income benefits. The number of EI recipients is a useful unemployment indicator as EI covers eligible individuals who lose their jobs and who are available for work and are able to work, but cannot find a job.

This is the fifth commentary that examines current trends in the number of EI recipients in a number of Alberta municipalities since the start of the last recession. Since the previous release that covered the period up to June 2016 the numbers of unemployed and EI recipients in Alberta continued to grow until October/November 2016 and stood about 15% to 20% higher in November than in June. Since November, the number of unemployed has dropped by about 30,000 or 14% and the number of EI recipients by 27,000 or 27%.

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[1] See the latest indicators on Alberta's Economic Dashboard (http://economicdashboard.alberta.ca/)

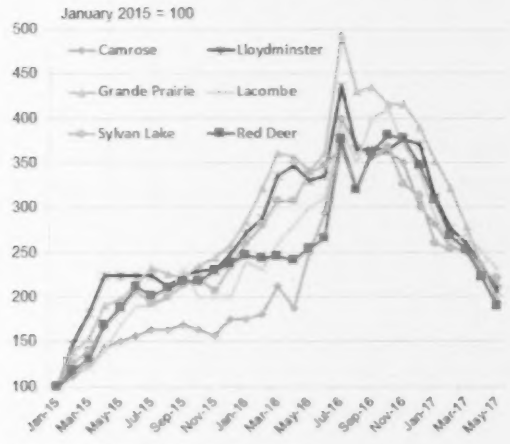
[2] Source: Statistics Canada's *Survey of Employment, Payrolls and Hours*

At the Alberta level the number of EI recipients rose from 29,630 in November 2014 (when the recession probably started) to a peak of 107,470 in July 2016. The number of recipients dropped sharply in August 2016 and was more or less stable over the next five months. EI recipients have fallen sharply this year from 89,320 in January to 71,950 in May. The number of unemployed rose from 105,200 in November 2014 to 223,300 in November 2016[3] (Chart 1). The number of unemployed persons has fallen since then and stood at 193,100 in July 2017. The number of EI recipients rose sharply in May 2016 and remained at elevated levels over the next few months because of the impacts of the wildfires in the Wood Buffalo region (more on that in the next section).

EI Trends in Alberta's Largest Municipalities (Seasonally Adjusted Estimates)

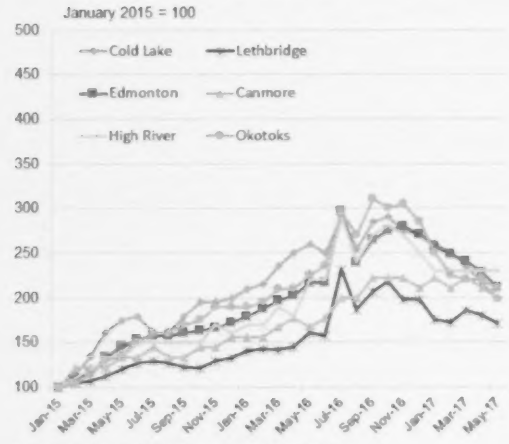
Statistics Canada provides estimates for the numbers of EI recipients for most Alberta communities. However, seasonally adjusted estimates are only released on a regular basis for the 18 largest communities. As there is a great deal of seasonal variation in the estimates our regional analysis will start by first examining the trends in most of these 18 communities. Whereas in the next section EI estimates for individual municipalities are discussed, the seasonally adjusted estimates for Edmonton and Calgary in this section are for the larger metropolitan areas, for instance metropolitan Edmonton includes many surrounding municipalities such as St. Albert and Strathcona County.

Chart 2
High Growth Municipalities - EI Beneficiaries



Source: Statistics Canada, seasonally adjusted

Chart 3
Low Growth Municipalities - EI Beneficiaries



Source: Statistics Canada, seasonally adjusted

The six municipalities in Chart 2[4] that had the largest per cent increases in EI recipients during the recession (the Wood Buffalo region is discussed separately below) saw their numbers more than triple between January 2015 and July 2016. In Lloydminster, Grande Prairie and Camrose the number of EI

[3] There is always a certain proportion of unemployed people who do not qualify for benefits. Some unemployed people have not contributed to the program because they have not worked in the past 12 months or their employment is not insured. Other unemployed people have contributed to the program but do not meet the eligibility criteria, such as workers who left their job voluntarily or those who did not accumulate enough hours of work to receive benefits (source: http://www.statcan.gc.ca/daily-quotidien/160519/dq160519b-eng.htm)

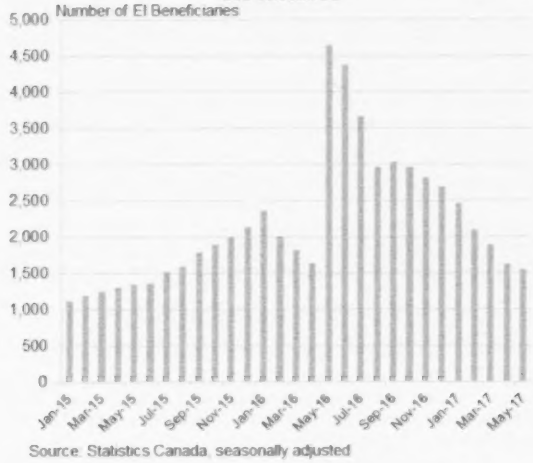
[4] Note: the numbers in charts 2 and 3 are indices not the actual numbers of recipients. For comparability sake EI numbers were restated to 100 for January 2015 and growth rates in the actual numbers of recipients were then applied to the January 2015 base estimate of 100.

recipients at least quadrupled over that period (i.e. rose at least 300%). The other three high growth communities, Sylvan Lake, Red Deer and Lacombe, had slightly lower growth rates of between 250% and 300% between January 2015 and July 2016. Since then the number of recipients has fallen sharply in these six communities and their cumulative increase from January 2015 to May 2017 now stands at between 100% and 150%, rates of increase that are comparable to Alberta's increase of 112% during that period.

The six communities with the smallest increases of about 200% or less during the recession (Chart 3) include the metropolitan area of Edmonton, three communities with relatively little dependence on oil and gas, namely Lethbridge, Canmore and High River, and also Okotoks and Cold Lake. Since then the number of recipients has also fallen sharply in these six communities but not as sharply as in the high growth communities and the cumulative increase between January 2015 and May 2017 in five municipalities now also stands at between 100% and 150%. The exception is Lethbridge: its cumulative increase was only 71%.

In the Wood Buffalo region the number of recipients actually increased at a modest pace until April 2016, compared with the overall Alberta trend in EI recipients. However, the number rose sharply in May of 2016 because of the wildfires in the region (Chart 4) and reached 4,650 in May 2016, up from 1,640 in April. The number of recipients has fallen sharply since then to reach 1,550 in May 2017. As a result Wood Buffalo has recorded the smallest cumulative gain among these 18 communities of 38% between January 2015 and May 2017.

Chart 4
EI Beneficiaries Fell Sharply in Wood Buffalo after the Wildfires



Source: Statistics Canada, seasonally adjusted

Although oil sands investment fell sharply during the recession and jobs were lost in the Wood Buffalo region, job losses in the oil sands sector were far less than in many other sectors, especially in oil and gas services. Oil sands production remained strong through the first few months of 2016 and therefore not many jobs were lost at existing production facilities during the first four months of 2016 – just at new projects. However, many sectors that are located in the Wood Buffalo region were hard-hit by the impacts of the wildfires. Oil sands production declined by close to one-quarter in May 2016 and synthetic crude oil production fell by nearly one-half. Manufacturers of machinery and fabricated metals were also hard hit by slumping demand in the oil sands sector. Oil sands production has increased sharply since then reaching a new record level in January 2017 and has remained strong since then. That explains why the number of EI recipients has fallen so sharply since May 2016. Wood Buffalo's construction sector has suffered the steepest job losses since the beginning of the recession because of declining oil sands investment: it is expected that oil sands investment will fall to about $12 billion in 2017, down from $36 billion in 2014[5].

[5] Source: Statistics Canada's *Capital and Repair Expenditures Survey*

EI Trends in Alberta Municipalities (Not Seasonally Adjusted)

Because Statistics Canada rounds all EI estimates to the nearest 10 and because there is considerable volatility in the estimates, especially for the smaller centres, we compare the average number of recipients during the most recent three-month period (March to May) to the average number for the same period of 2016 in the remainder of this commentary. The below estimates are not seasonally adjusted and therefore only year-over-year growth rates are presented. Another difference with the previous section is that the estimates for Edmonton and Calgary only cover the cities and other municipalities that are part of the above metropolitan areas of Edmonton and Calgary are now shown separately.

Table 1 presents the EI trends for Alberta's top 20 municipalities (on an EI basis). For Alberta's two largest municipalities, the cities of Calgary and Edmonton, which together account for one-half of the total number of EI recipients in Alberta, the numbers increased by 11% and 12%, respectively, on a year-over-year basis. By comparison, the number increased by 3% in all of Alberta between the March to May 2016 period and the same period of 2017.

Table 1 - Top 20 Municipalities on EI Basis

	Average number of EI recipients March 2016 to May 2016	Average number of EI recipients March 2017 to May 2017	Per cent Change
Calgary	22,037	24,397	11%
Edmonton	17,807	19,977	12%
Red Deer	2,420	2,150	-11%
RM of Wood Buffalo	3,083	1,883	-39%
Strathcona County	1,347	1,530	14%
Airdrie	1,180	1,353	15%
Grande Prairie	1,813	1,200	-34%
Lethbridge	1,010	1,183	17%
Medicine Hat	1,390	1,170	-16%
St. Albert	847	983	16%
Spruce Grove	693	857	24%
Leduc	880	823	-6%
Fort Saskatchewan	530	643	21%
Parkland County	483	610	26%
Red Deer County	350	507	45%
Okotoks	463	463	0%
Cold Lake	487	443	-9%
Camrose	423	443	5%
Cochrane	370	427	15%
Lloydminster	600	423	-29%

Among the 20 largest municipalities Red Deer County registered the largest year-over-year increase of 45%. Parkland County registered the second largest increase of 26%. Large decreases were registered in Wood Buffalo (down 39%), mostly because of the surge in EI numbers in May 2016 as a result of the wildfires, and in Grande Prairie (down 34%).

In Table 2, the municipalities with at least 100 EI recipients in 2017 and with the largest year-over-year increases are shown. While in the previous commentary of September 2016 fifteen municipalities had year-over-year increases of at least 100%, all of the high growth municipalities in Table 2 had increases of less than 50%.

Table 2 – Largest Increases in EI Recipients

	Average number of EI recipients March 2016 to May 2016	Average number of EI recipients March 2017 to May 2017	Per cent Change
Red Deer County	350	507	45%
Barrhead	120	163	36%
Coaldale	103	140	36%
Blackfalds	207	277	34%
Sturgeon County	250	320	28%
Parkland County	483	610	26%
Spruce Grove	693	857	24%
High River	213	263	23%
Beaumont	307	377	23%
Fort Saskatchewan	530	643	21%

Between the March to May 2016 period and the same period of 2017, the municipalities with the largest increases in the number of EI recipients were Red Deer County (up 45%), Barrhead (up 36%), Coaldale (up 36%) and Blackfalds (up 34%).

The municipalities with the biggest declines in the number of EI recipients (Table 3) include Grande Cache (down 46%), Wood Buffalo (down 39%), Drayton Valley (down 35%), Brooks (down 34%) and Grande Prairie (down 34%). Eight of the 10 municipalities in Table 3 had very steep increases in EI numbers in 2015. For instance, between the March to May 2015 period and the same period of 2016 the numbers increased by 133% in Grande Prairie County, by 123% in Drayton Valley and by 123% in Peace River, compared with a 64% increase at the Alberta level.

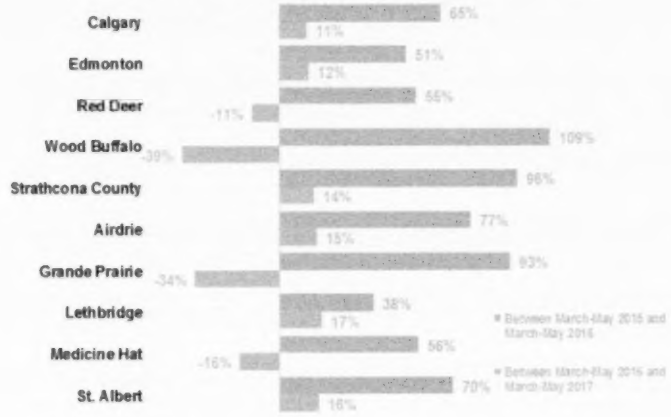
Table 3 – Largest Decreases in EI Recipients

	Average number of EI recipients March 2016 to May 2016	Average number of EI recipients March 2017 to May 2017	Per cent Change
Grande Cache	180	97	-46%
RM of Wood Buffalo	3,083	1,883	-39%
Drayton Valley	423	277	-35%
Brooks	443	293	-34%
Grande Prairie	1,813	1,200	-34%
Vermilion River County	170	117	-31%
Grande Prairie County	427	300	-30%
Lloydminster (Alberta part	600	423	-30%
Peace River	230	163	-29%
Bonnyville	370	263	-29%

In Chart 4 we examine how much the growth rates in the 10 largest municipalities (on an EI basis) have changed over the past 12 months, i.e. we compare the year-over-year growth rates between March and May of 2015 and the same period of 2016 against those of the most recent time period of March through May. Not surprisingly, the growth rate has fallen sharply in the Wood Buffalo region, where the yea-over-year growth rate was 109% for March through May of 2016 (mainly because of the wildfires) vs a decline of 39% for March through May of 2017 as the impact of the wildfires has largely disappeared.

The growth rates have fallen in all other large municipalities and in some cases they have turned negative. The next largest drop in growth rates was noted for Grande Prairie, where the growth rate was 178% for the March through May of 2016 period vs a drop of 34% for March through May 2017. Growth rates have also fallen sharply in the province's largest two cities Calgary (from 65% to 11%) and Edmonton (from 51% to 12%).

Chart 5
Year-over-Year Growth in EI Recipients
In Alberta's 10 Largest Municipalities*



* On an EI basis
Source: Statistics Canada

In summary, the end of Alberta's recession has meant that the number of unemployed and of EI recipients in Alberta has been falling steadily since the second half of 2016. As the above discussion shows all Alberta municipalities were impacted by the economic slowdown which resulted from falling oil and gas prices and declining oil and gas investment. The hardest hit municipalities were generally those that are heavily dependent on the oil and gas services sector. EI numbers in the Wood Buffalo area rose sharply in May and June because of the wildfires. The end of the recession has caused the number of EI recipients in Alberta municipalities to decline sharply since mid-2016. The largest decline was registered in the Wood Buffalo region slightly: employment in the region is slowly rebounding as most of the oil sands workers and other workers in Fort McMurray are now back at work. The rebuilding of Fort McMurray is also having a positive impact on employment in the region and in Alberta.

Note: the number of EI recipients and many other economic indicators can be found on the Alberta Economic Dashboard at http://economicdashboard.alberta.ca/